

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF CREDIT UNIONS

NEWSLETTER

Volume 6, Number 10, October 19, 2004

CREDIT UNION COMMISSION MEETS

The Credit Union Commission met October 19, 2004 in Jefferson City. Commission members in attendance were Pat Yokley, Bill Humpfer, Sharon Ichord, Cathy Stroud, Pat Macdonald, and John Hanneke. Others attending were Mike Wambolt, Paul Harper and Linda Manlove-Braxton, Office of the Missouri Attorney General, Jim Cauble, Cape Regional Credit Union, Peggy Nalls Missouri Credit Union Association; Becky Kilpatrick, regulatory counsel, Department of Economic Development, Zurett Merridith and John P. Smith, Division of Credit Unions.

The Commission approved the minutes of the July 22, 2004 meeting.

The Commission reviewed the field-of-membership expansion application submitted by **Cape Regional Credit Union**. More than 3,000 potential members exist within the group. The Commission found the group met the criteria for an exemption from the limitations on groups in 4 CSR 105-3.040.

The Commission approved the Director's recommended revision of 4 CSR 100-2.205 Deposit of Public Funds.

The Commission received several reports:

- Update on the appeals of Director's decision for field of membership expansions
- Update on field of membership applications in process
- Condition Report, Missouri chartered credit unions
- Revision of Missouri Business Loan Rule 4 CSR 100-2.045
- Division of Credit Unions legislative program for the 2005 General Assembly
- State and federal legislative update

The Commission deferred until their next meeting a report on legal issues related to reporting financial abuse of the elderly.

The Commission established the date for their next meeting as January 13, 2005 in Jefferson City, Missouri.

FIELD OF MEMBERSHIP UP DATE

Springfield Telephone Employees Credit Union (now

Telcomm Credit Union) submitted an application to include those persons who reside or work in the 417 telephone Area Code and the 573 (bordered on the north by I-70) telephone Area Code. The Director approved the expansion of **Springfield Telephone Employees Credit Union** to those in the 417 Area Code, but not the 573 Area Code. The decision was published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association (MBA) and Century Bank of the Ozarks (CBO) filed an appeal of the decision to the Credit Union Commission. The Commission heard the appeal on March 29, 2001. On May 24, 2001 the Commission upheld the decision of the Director. On August 16, 2001, the decision was released and the Director filed **Springfield Telephone Employees Credit Union's** amended bylaws with the Secretary of State. On September 14, 2001, the MBA and CBO filed a petition for administrative review in Cole County Circuit Court.

On November 19, 2001, a hearing was held before Judge Tom Brown, Division 1, Circuit Court of Cole County. The motion to refer the case to another division of the court was granted and the case was referred to Judge Byron Kinder, Division 2. A motion to dismiss the case for lack of standing was heard on January 3, 2002. On January 29, 2002 the court ruled the plaintiffs lack standing to maintain causes of action set forth in their petition and ordered the plaintiffs' petition be dismissed. On March 11, 2002 the MBA and CBO filed an appeal of the decision in the Western Appellate Court of Appeals. Appellant's briefs were due June 3, 2002 with the respondent's briefs due July 3, 2002. A hearing by the Western Appellate Court was held on October 3, 2002 in Kansas City. On January 14, 2003, the Appellate Court upheld the decision of Cole County Circuit Court. On January 14, 2003, the MBA and CBO filed motions for a rehearing and transfer to the Missouri Supreme Court. The Appellate Court on March 4, 2003 denied the motions. On April 23, 2003, the Missouri Supreme Court issued an order transferring the case to their jurisdiction. On December 9, 2003 the Court reversed the decision of the lower courts and remanded the case. The opinion can be read at

<http://www.osca.state.mo.us/Courts/PubOpinions.nsf/0f87ea4ac0ad4c0186256405005d3b8e/d1c9a3590b16be4286256df6006dbc43?OpenDocument>.

The case has now been combined with **South Community Credit Union, Central Communications**

Credit Union, Educational Employees (Vantage) Credit Union and City Utilities Credit Union. A hearing was held September 27, 2004. Parties are to submit discovery schedule by October 8, 2004. Case was placed on Dec. 13, 2004 law day docket at 1:30 p.m. for review.

South Community Credit Union submitted an application for those who work or reside in Zip Codes 63109, 63111, 63116, 63123, 63125, 63128, 63129, and Crawford County, Franklin County, Gasconade County and Washington County. **Central Communications Credit Union** submitted an application for those persons who reside or work in the 816 telephone Area Code. The Director approved the applications submitted by **South Community and Central Communications Credit Unions**. These decisions were published in the November 15, 2000 Missouri Register. On November 30, 2000 the MBA and two local banks located in each of the two applicants' field of membership expansion areas filed appeals of the decisions to the Credit Union Commission. The Commission received the record of appeals from all parties on May 24, 2001. On August 9, 2001, the Commission upheld the decisions of the Director. The written decisions were released on January 25, 2002. On February 21, 2002, the MBA and the local banks filed a petition for administrative review in Cole County Circuit Court. Both cases were assigned to Judge Tom Brown, Division 1. On April 17, 2002 the cases were reassigned to Judge Byron L. Kinder, Division 2 and a motion was entered to stay the proceedings until the outcome of the Springfield Telephone Employees case was decided. The cases can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; the case numbers are 02CV323402 and 02CV323401. The case has now been combined with **South Community Credit Union, Central Communications Credit Union, Educational (Vantage) Credit Union and City Utilities Credit Union**. A hearing was held September 27, 2004. Parties are to submit discovery schedule by October 8, 2004. Case was placed on Dec. 13, 2004 law day docket at 1:30 p.m. for review.

Vantage Credit Union (formerly Educational Employees Credit Union) submitted an application for those who live or work in St. Louis County, St. Charles County, Jefferson County, Cape Girardeau County and Franklin County. The application was published in the December 15, 2000 Missouri Register. The Director approved the application and his decision was published in the February 15, 2001 Missouri Register. On March 1, 2001 the MBA and two banks located in the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. The Commission received the record of appeal of **Educational Employees Credit Union** on October 19, 2001 and established briefing schedules. On March 5, 2002, the Commission dismissed the appeal due to lack of standing. On July 18, 2002 the MBA and the two

banks filed a Petition in Mandamus in Cole County Circuit Court. On May 22, 2004 an amended petition was filed. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 02CV324797. The case has now been combined with **South Community Credit Union, Central Communications Credit Union, Educational (Vantage) Credit Union and City Utilities Credit Union**. A hearing on a motion to dismiss was held on August 4, 2004 in Cole County Circuit Court. A hearing was held September 27, 2004. Parties are to submit discovery schedule by October 8, 2004. Case was placed on Dec. 13, 2004 law day docket at 1:30 p.m. for review.

City Utilities Credit Union submitted an application for community residents and workers in Greene and Christian Counties. The application was published in the June 1, 2001 Missouri Register. The Director approved the application and his decision was published in the August 1, 2001 Missouri Register. On August 14, 2001 the MBA and a local bank located within the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. On August 8, 2002 the Commission heard and denied the appeal for lack of standing. The decision was released on December 9, 2002. On January 2, 2003, MBA and the local bank filed a Petition in Mandamus in Cole County Circuit Court. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 03CV323001. The case has now been combined with **South Community Credit Union, Central Communications Credit Union, Educational (Vantage) Credit Union and City Utilities Credit Union**. A hearing on a motion to dismiss was held on August 4, 2004 in Cole County Circuit Court. A hearing was held September 27, 2004. Parties are to submit discovery schedule by October 8, 2004. Case was placed on Dec. 13, 2004 law day docket at 1:30 p.m. for review.

First Community Credit Union submitted an application for individuals who reside or work in the counties of Lincoln, Warren, Franklin, Washington, St. Francois, Ste. Genevieve, Pike, Montgomery, Gasconade and Crawford in the state of Missouri and the City of St. Louis. The application was published in the August 1, 2002 Missouri Register. The Director approved the application and his decision was published in the September 16, 2002 Missouri Register. On September 26, 2002 the MBA and a local bank located within the field of membership expansion area filed an appeal of the decision to the Credit Union Commission. On November 19, 2003 the Commission heard the appeal. On January 13, 2004 the Commission upheld the decision of the Director. The written decision was released on February 25, 2004. On March 19, 2004 the MBA and a local bank filed a petition for administrative review in Cole County Circuit Court. On April 13, 2004 a docket entry 'Order to Stay Proceedings' was entered.

The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 04CV323859.

Alliance Credit Union submitted an application for those who work or reside in St. Charles County or St. Louis County. The application was published in the November 15, 2002 Missouri Register. The Director approved the application and his decision was published in the January 16, 2003 Missouri Register. On January 30, 2003, the MBA and Allegiant Bank filed an appeal of the Director's decision with the Credit Union Commission. On November 19, 2003 the Commission heard the appeal. On January 13, 2004 the Commission upheld the decision of the Director. The written decision was released on February 25, 2004. On March 19, 2004 the MBA and a local bank filed a petition for administrative review in Cole County Circuit Court. On April 13, 2004 a docket entry 'Order to Stay Proceedings' was entered. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 04CV323857.

St. Louis Postal Credit Union submitted an application for those who live or work in the Zip Codes 63005, 63017, 63042, 63043, 63044, 63126, 63127 and St. Charles County. The application was published in the December 2, 2002 Missouri Register. The director approved the application and his decision was published in the January 16, 2003 Missouri Register. On January 30, 2003, the MBA and Midwest Bank Centre filed an appeal of the Director's decision with the Credit Union Commission. On November 19, 2003 the Commission heard the appeal. On January 13, 2004 the Commission upheld the decision of the Director. The written decision was released on February 25, 2004. On March 19, 2004 the MBA and the local bank filed a petition for administrative review in Cole County Circuit Court. On April 13, 2004 a docket entry 'Order to Stay Proceedings' was entered. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 04CV323855.

United Community Credit Union, an Illinois chartered credit union, submitted an application for those who live or work in the Missouri counties of Lewis, Ralls and Marion. The application was published in the January 2, 2003 Missouri Register. The director approved the application and his decision was published in the February 18, 2003 Missouri Register. On March 4, 2003 the MBA and the Farmers and Merchants Bank and Trust Company filed an appeal of the Director's decision with the Credit Union Commission. On November 19, 2003 the Commission heard the appeal. On January 13, 2004 the Commission upheld the decision of the Director. The written decision was released on February 25, 2004. On March 19, 2004 the MBA and the local bank filed a petition for administrative review in Cole

County Circuit Court. On April 13, 2004 a docket entry 'Order to Stay Proceedings' was entered. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 04CV323858.

Aerospace Community Credit Union submitted an application for those who live or work in the remainder of St. Louis City, St. Louis County and St. Charles County that is not currently in the **Aerospace Community Credit Union's** field of membership and those who live or work in Lincoln County. The application was published in the May 1, 2003 Missouri Register. The director approved the application and his decision was published in the July 1, 2003 Missouri Register. On July 14, 2003 the MBA and the First National Bank of St. Louis filed an appeal of the Director's decision with the Credit Union Commission. On November 19, 2003 the Commission heard the appeal. On January 13, 2004 the Commission upheld the decision of the Director. The written decision was released on February 25, 2004. On March 19, 2004 the MBA and the local bank filed a petition for administrative review in Cole County Circuit Court. On April 13, 2004 a docket entry 'Order to Stay Proceedings' was entered. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 04CV323852.

Midwest United Credit Union submitted an application for all eligible businesses, government entities, individuals and the immediate family of all eligible individuals who live or work in Platte County, Missouri. The Director approved the application and his decision was published in the April 1, 2004 Missouri Register. On April 14, 2004, MBA and Platte Valley State Bank filed an appeal of the Director's decision with the Credit Union Commission. The Commission will schedule the appeal for hearing.

De Soto Mo Pac submitted an application for HVAC employees and their families living or working in Jefferson, Washington and St. Francois Counties in Missouri. The Director approved the application and his decision was published in the September 1, 2004 Missouri Register. The decision is now final.

Century Credit Union submitted an application to include persons working or residing in Jefferson County, Missouri. The applications were published in the May 17, 2004 Missouri Register. The Director approved the application and his decision and the findings of fact and conclusions of law were published in the July 1, 2004 Missouri Register. On July 13, 2004, MBA and Midwest Bankcentre filed an appeal of the Director's decision with the Credit Union Commission. On August 26, 2004 the application was amended to include persons working or residing in the Zip Codes of 63016, 63020, 63028, 63049, 63050 and 63051. The application was published in the October 1, 2004 Missouri Register. The Director

approved the application and the decision with the findings of fact and conclusions of law will be published in the December 1, 2005 Missouri Register. A fifteen calendar day period must occur before the decision is final.

Lake City Credit Union submitted an application for persons living or working in the Zip Codes of 64055, 64029 and 64075. The application was published in the September 1, 2004 Missouri Register. The Director approved the application and the decision with the findings of fact and conclusions of law will be published in the October 29, 2004 Missouri Register. A fifteen calendar day period must occur before the decision if final.

Northland Teachers Community Credit Union submitted an application for persons who are living or working in the Zip Codes of 64153 and 64514. The application was published in the October 15, 2004 Missouri Register. A ten business day period must follow before a decision can be made.

Edison Credit Union submitted an application for active or retired employees of Lippert Mechanical, Lucky International Trading, Holiday Inn-North Kansas City, Southwest Technologies, Inc. and Hantover. The application will be published in the November 1, 2004 Missouri Register. A ten business day period must follow before a decision can be made.

CONDITION OF CREDIT UNIONS COMPARISON REPORT

CAMEL CODE	October, 2003		October, 2004	
Code 1	7	4.3%	9	5.7%
Code 2	108	66.7%	105	66.5%
Code 3	44	27.2%	40	25.3%
Code 4	3	1.8%	4	2.5%
Code 5	0	-	0	-
TOTAL NUMBER OF CREDIT UNIONS	162*		158**	
*Credit Unions merged during year 2003:	Farmland Industries into CommunityAmerica CU, Pacesetter into United Consumers CU, Tuffy into United Consumers CU, Mid-County into County CU, and St. Clair County Teachers into Vantage CU.			

**Credit Unions merged during year 2004:	Omni Federal CU into Gateway Metro CU, St. Joseph of Kirkwood Employee's CU into Health Care Family, Vestal Employee's CU dissolution.
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CHECK 21

Substitute Checks

The Check Clearing for the 21st Century Act (Check 21) provides for the use of substitute checks. A substitute check is a paper reproduction of the original check. When Check 21 goes into effect on October 28, 2004, financial institutions will be required to accept substitute checks. To meet legal requirements, the substitute check must:

- ◆ Contain an image of the **front and back** of the original check.
- ◆ Bear a legend that states, **“This is a legal copy of your check. You can use it the same way you would use the original check.”**
- ◆ Display a MICR line containing all the information appearing on the MICR line of the original check.
- ◆ Conform in paper stock, dimension, and otherwise, with generally applicable industry standards for substitute checks.
- ◆ Be suitable for automated processing in the same manner as the original check.

To view the substitute check format, refer to the attached example or if viewing on the internet, open the attachment.

(The second in a three part series of articles on Check 21)

From the Director...

Meeting with credit unions:

With the change from our annual survey to following the credit union's examination, we are scheduling our meetings with credit unions in April 2005. This should ensure the availability of the results from the 2004 survey and good weather for our travel throughout the state.

Personnel changes:

Financial Examiner Assistant I April Hollis has resigned. April was assigned to the Jefferson City region.

On October 26 Whitney Aston will begin employment as a Financial Examiner Assistant I assigned to the Jefferson City region.

Call report information:

Call reports for the September 30, 2004 cycle have been mailed to credit unions. By October 22nd the completed report is to be returned to the credit union's assigned examiner.

Bounced Check Fees:

The NCUA, bank, and thrift regulatory agencies have announced the publication of a new consumer resource, *Protecting Yourself from Overdraft and Bounced-Check Fees*, the publication is on the internet at <http://www.federalreserve.gov/pubs/bounce/default.htm>, copies can be obtained by calling 202-452-3245.

That is all for this time!

A handwritten signature in dark ink, appearing to read "John P. Smith". The signature is fluid and cursive, with the first name "John" being the most prominent part.

John P. Smith, Director